

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 L-03 AID-05 EB-07 COME-00 TRSE-00 OMB-01

FRB-03 XMB-02 CIAE-00 INR-07 NSAE-00 PM-04 NSC-05

SP-02 SS-15 /065 W

----- 119402

R 251535Z AUG 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6416

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMAASSY KUWAIT

C O N F I D E N T I A L CAIRO 11442

EO 11652: GDS

TAGS: PFOR, EAID, EFIN, EG, XE

SUBJ: GODE AND GODE/GOE AGREEMENT - REVIEW

REF (A) CAIRO 11369, (B) CAIRO 11368, (C) CAIRO 11298,

1. WITH ESTABLISHMENT OF GODE AS VEHICLE FOR CHANNELING FUNDS TO EGYPT FROM SAUDI ARABIA, KUWAIT, QATAR AND UAE AND SIGNING OF IMPLEMENTATION AGREEMENT, FORM AND THRUST OF THIS MEANS OF FINANCIAL ASSISTANCE TO GOE BECOME APPARENT AT LEAST AS REFLECTED IN FORMAL DOCUMENTS. THIS MESSAGE SURVEYS BRIEFLY MAIN FEATURES OF GODE AND GODE/GOE AGREEMENT AT THIS BEGINNING STAGE OF THEIR EXISTENCE. (NOTE: TRANSLATION FORWARDED REFTELS RENDERS ARABIC "HAY'A" AS "AUTHORITY" WE BELIEVE "ORGANIZATION" TO BE MORE APPROPRIATE, HENCE CONTINUED USE OF ACRONYM GODE.)

2. RIYADH BASED GODE IS SET UP AS JOINT VENTURE WITH MAIN PURPOSE TO RECEIVE AND DISBURSE ALL CONTRIBUTIONS OF FOUR MEMBER STATES TO EGYPT'S FIVE YEAR PLAN 1976-80. GODE ARTICLES MAKE CLEAR THAT ORGANIZATION, WITH 25 YEAR RENEWABLE OPERATING LIFE, HAS BEEN ESTABLISHED AS MEANS TO COORDINATE

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RESOURCES DEVOTED TO EGYPTIAN DEVELOPMENT DURING PLAN PERIOD,

BUT GODE/GOE AGREEMENT SPECIFIES EGYPT WILL NOT BE LIMITED IN ITS ACCESS TO FINANCIAL ASSISTANCE FROM ARAB STATES TO ONLY GODE RESOURCES.

3. ACTIVITIES LISTED IN GODE ARTICLES AND GODE/GOE AGREEMENT ARE VIRTUALLY IDENTICAL, ALTHOUGH ORDER IS CHANGED IN TWO DOCUMENTS. AGREEMENT LISTS AS NUMBER ONE, AMONG FOUR, GODE PARTICIPATION IN FINANCING BOP REQUIREMENTS (ALONG OR WITH ARAB OR WORLD FINANCIAL ORGANIZATIONS), WITH FINANCING OF COMPANIES CARRYING OUT PROJECT ACTIVITIES LISTED FOURTH; GODE ARTICLES REVERSE THIS ORDER. OTHER TWO ACTIVITIES CITED AS OF SPECIAL IMPORTANCE ARE (A) FINANCING DEVELOPMENT PROJECTS THROUGH MEDIUM AND LONG-TERM LOANS, AND (B) FINANCING OR ARRANGING CREDIT FACILITIES FOR EGYPTIAN QUOTA IN JOINT VENTURES. AGREEMENT STATES FINANCING TERMS WILL BE ACCORDING TO MERITS OF PROJECTS AND DEVELOPMENT AND PUBLIC UTILITY PROJECTS WILL HAVE HIGHEST PRIORITY.

4. CAPITALIZATION OF GODE IS SHOWN AS \$2,000 MILLION IN ARTICLES, BUT NO MENTION IS MADE OF THIS FIGURE IN AGREEMENT WITH EGYPT. DOLLAR IS SPECIFIED AS UNIT OF ACCOUNT IN GODE/GOE TRANSACTIONS. PAID-IN CAPITAL IS DIVIDED INTO 100 SHARES AT \$20 MILLION EACH, SUBSCRIBED 40 PERCENT BY SAUDI ARABIA, 35 PERCENT BY KUWAIT, 10 PERCENT BY QATAR, AND 15 PERCENT BY UAE. GODE IN AGREEMENT UNDERTAKES TO GUARANTEE GODE APPROVED GODE LOANS.

5. EIGHT MEMBER GODE BOARD WILL HAVE RESPONSIBILITY FOR SETTING GENERAL POLICY, DETERMINING PROGRAMS IN WHICH GODE WILL PARTICIPATE AND ALLOCATING RESOURCES. ACCORDING TO AGREEMENT, GODE WILL APPOINT LIAISON OFFICE TO REPRESENT EGYPT IN ALL TRANSACTIONS WITH GODE, INCLUDING JOINT PREPARATION OF IMPLEMENTING PROGRAMS. (NOTE: CAIRO PRESS REPORTED AUG 24 MINFIN ABU ISMAIL WILL HAD GODE/GODE LIAISON COMMITTEE.)

6. SEVERAL SECTIONS OF AGREEMENT DEAL WITH LEGAL ASPECTS OF GODE OPERATIONS IN EGYPT AND ARBITRATION OF DISPUTES. PROVISIONS DEALING WITH RETURN ON CAPITAL AND EXCHANGE CONTROLS ARE NOT CLEAR; TAX AND EXCHANGE CONTROL EXEMPTIONS ARE GRANTED BY ARTICLES VIII (2) AND (3), BUT FOLLOWS CONFIDENTIAL

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OWING PASSAGES OF AGREEMENT STATE INVESTMENT BY GODE WILL BE ACCORDED ADVANTAGES UNDER PRESENT EGYPTIAN LEGISLATION AND BUSINESS ACTIVITIES OF INVESTMENT NATURE ARE SUBJECT TO CURRENT LAW AND REGULATION. AGREEMENT CALLS FOR CONSTITUTIONAL RATIFICATION OF ACCORD BY GODE AND BOARD RATIFICATION BY GODE; AGREEMENT IS EFFECTIVE IMMEDIATELY UPON COMPLETION OF BOTH ACTIONS.

7. COMMENT: EGYPTIANS GOT AGREEMENT TO TWO POINTS WE HAD HEARD WERE IN CONTENTION DURING RECENT NEGOTIATIONS: DELINEATION OF GODE ROLE IN MEETING EGYPT'S BALANCE OF PAYMENTS DEFICIT AND UNFETTERED ACCESS TO BILATERAL ARAB (AND OTHER) SOURCES OF FINANCE. WE HAVE CONFLICTING REPORTS FROM GOE OFFICIALS AS TO WHETHER PROPORTION OF GODE'S OWN FUNDING TO BE DEVOTED TO BOP PROBLEMS HAS BEEN DECIDED, HOWEVER. AUTHORITY OF GODE TO GUARANTEE COMMERCIAL OR OFFICIAL MEDIUM-TERM LOANS TO RETIRE PORTION OF SHORT TERM DEBT, MOST PRESSING PROBLEM FACING GOE TODAY, WOULD SEEM TO BE IMPLICIT IN GODE ARTICLES AND AGREEMENT, BUT \$64 QUESTION REMAINS WHETHER ACTION BY GODE BOARD AND FOREIGN SOURCES OF FINANCE CAN BE TAKEN IN THIS REGARD IN TIMELY FASHION, IF AT ALL. EGYPTIAN OFFICIALS APPEAR AT PRESENT TO BE PURSUING ENERGETICALLY THIS POSSIBLE SOURCE OF FUNDS, NOW THAT ENORMOUS SUMS FROM ARAB BROTHERS HOPED FOR EARLIER AS GRANTS OR SOFT LOANS OBVIOUSLY WILL NOT BE FORTHCOMING ANY TIME SOON.

8. AMB IS MEETING WITH MINFIN ABU ISMAIL ON SATURDAY, 28 AUG TO ASCERTAIN HIS REACTION TO GODE ARRANGEMENTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, ECONOMIC ASSISTANCE, LOAN AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO11442
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760325-0063
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760822/aaaaasvp.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 CAIRO 11369, 76 CAIRO 11368, 76 CAIRO 11298
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by ellisoob>; APPROVED <13 OCT 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GODE AND GODE/GOE AGREEMENT - REVIEW
TAGS: PFOR, EAID, EFIN, EG, XE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006